

806 KAR 30:070. Books and records subject to inspection.

RELATES TO: KRS 304.30-030, 304.30-060

STATUTORY AUTHORITY: KRS 304.30-070

NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.30-070 authorizes the commissioner to make reasonable administrative regulations to effectuate Subtitle 30 of the Kentucky Insurance Code and to regulate the manner in which licensed insurance premium finance companies conduct their business. This administrative regulation sets forth the records and recorded information subject to inspection by the commissioner.

Section 1. Books and Records. (1) Records shall be preserved for the time period set forth in KRS 304.30-060(2). Every licensee shall maintain each premium finance agreement or duplicate originals and all original documents relating to the premium finance agreement, except those papers returned to the insured. The premium finance agreement and all original documents relating to the premium finance agreement shall:

- (a) Include a common identifying number; and
- (b) Be available for inspection by the department at any time.

(2) Every licensee shall maintain a register, ledger, or combination of records containing a summary of premium finance agreements acquired, other than pursuant to a pledge, which can readily show:

- (a) The date of acquisition;
- (b) The name of the insured;
- (c) The identifying number;
- (d) The principal balance;
- (e) The amount of service charge;
- (f) The balance payable by the insured;
- (g) A distribution of proceeds showing the dates, amounts, purposes, and names of the person to whom any part of the proceeds is distributed; and
- (h) The application of any part of the proceeds to an unpaid balance due on an existing premium finance agreement which is terminated by refinance agreement.

(3) Every licensee shall maintain a record which will readily disclose at any time the aggregate number and outstanding time balances of all premium finance agreements held by it, other than pursuant to a pledge.

(4) Every licensee shall maintain an individual ledger card or appropriate combination of records with respect to each premium finance agreement showing:

- (a) The name and address of the insured;
- (b) The identifying account number;
- (c) The name of the agent or broker;
- (d) The amount of the principal balance;
- (e) The date of acquisition;
- (f) The name or names of the insurers and the policy number of the related insurance contracts;
- (g) The date from which the service charge is payable and whether the date is the effective date of the insurance coverage or some other later date;
- (h) The service charge;
- (i) The balance payable by the insured; and
- (j) Schedule of required payments.

(5) The ledger card shall also show all receipts setting forth their application to outstanding balances, delinquency, and other charges, if any, with the type of the charge clearly specified.

(6) With respect to cancellation of insurance, the licensee shall record:

- (a) The effective date of the cancellation;
- (b) The date of notice to the insured;
- (c) The date of notice to the insurer;
- (d) The amount of return premium received, if any; and
- (e) The disposition of any return premium received.

(7) In connection with the prepayment of a premium finance agreement, the ledger card shall show the amount of service charge refund required to be made and the date such refund is made.

(8) With respect to any premium finance agreement, whether charged off or not, upon which legal proceedings have been taken, every licensee shall clearly indicate in permanent form on the insured's ledger card or on a separate sheet or card or file bearing the identifying account number, the following:

- (a) The date of referral to an outside counsel for collection;
- (b) The date and terms of any settlement agreed upon or the results of any legal or summary action taken for or against the licensee; and
- (c) The nature or any collection expense incurred by the licensee in connection with litigation and charged to or paid by the insured or other obligor.

(9)(a) Except as noted in paragraph (b) of this subsection, records bearing any notation made in conformity with subsection (8) of this section shall be kept in a binder or file separate from other records.

(b) The record of a premium finance agreement which has been paid in full, which is current as to payments, or concerning which a decision has been officially made to abandon collection efforts of every kind, may be placed elsewhere.

(c) If the licensee engages in any other business, the records relating to the insurance premium finance business shall be kept separate from the records of any other business.

Section 2. Annual Report. Prior to May 1 of each year, each licensee shall furnish to the commissioner a completed Annual Report of Premium Finance Companies

Section 3. Incorporation by Reference. (1) "Annual Report of Premium Finance Companies (07/2020) is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Department of Insurance, 500 Mero Street, Frankfort, Kentucky 40601, Monday through Friday 8 a.m. to 4:30 p.m. (1 Ky.R. 1087; eff. 7-2-75; TAm eff. 8-9-2007; Crt eff. 2-26-2020; 47 Ky.R. 829, 1391; eff. 4-6-2021.)